WAGES BOARDS IN AUSTRALIA: IV. SOCIAL AND ECONOMIC RESULTS OF WAGES BOARDS

SUMMARY

In attempting to evaluate the work of the wages boards or to describe the results which this mode of wage regulation has had on the prosperity and welfare of the people, we must guard against the assumption that we can speak with certainty as to the final consequences of this legislation. As Sir Henry Wrixon said [1] when the continuation bill was up for discussion in Parliament in 1900, the real operations of such laws are not revealed in a few years and may not surely be known in the course of one generation.

While fully admitting the tentative character of our conclusions, we may nevertheless say that the eighteen years of experience which the state of Victoria has had with wages boards offers the safest basis on which to form an opinion as to the results of this method of wage

[1] See this Journal for November, 1914, p. 40.

regulation. For not only has the Victorian experience been of longer duration than that of other states but it has been on a more extended scale and has persisted along the same lines from the beginning. South Australia and Queensland, after several futile efforts to inaugurate the wages boards system and after several years of more or less successful operation of their laws, have seriously modified if not transformed their plans by the introduction of compulsory arbitration. New South Wales added the special boards to her arbitration scheme but has never been free from the influence of the arbitration court. The experiences of Tasmania, Great Britain and some of our own states with wages boards have been entirely too brief to satisfy us as to the results. Whenever the experiences of other states and countries show the same results as appear in Victoria, we may say that they serve to strengthen our opinions of the success or failure of the Victorian legislation; but it is the Victorian experience which must afford the main reliance for such conclusions as we are now willing to formulate.

1. *The Abolition of Sweating*

The intention of the legislatures in all states and countries which have adopted the wages boards plan was to abolish sweating in certain trades and industries. It seems proper, therefore, that we should first inquire: how successful has the law been in accomplishing its main purpose ?

Mr. Ernest Aves, who visited Australia in 1907, and made a careful investigation for the Home Department of Great Britain into the workings and results of wages boards and arbitration courts, was inclined to the opinion that the wages boards in Victoria had only

partially succeeded in overcoming the sweating evil.[1] Conditions, he said, had undoubtedly improved in the various branches of the clothing trade and also in bread-making, but Mr. Aves felt by no means certain that the improved conditions were due entirely or mainly to the Special Boards and he felt that should a prolonged trade depression occur, some reduction in the average wages paid might be expected to take place, especially among the home workers. On the other hand, he was willing to admit that the influence of the board rates like a long-established custom, would exercise a healthy restraint on the downward tendency should wage reductions become necessary.

Dr. Robert Schachner, a German economist who spent several years (1905 to 1907) in Australia and New Zealand, studying labor conditions and working part of the time as a laborer in various industries, was also of the opinion that the sweating evil had been only partially overcome. He mentions the women's clothing industries and book-binding as examples of trades in which sweating still continued.[2]

Much the same opinion seems to have been held by a careful American investigator, Dr. Victor S. Clark, who visited Australia in 1904 in order to conduct an investigation for the United States Bureau of Labor. He gives several instances to show that sweating was still in existence in Melbourne in the clothing trades at the time of his visit but he admits that "the general condition of operatives in these occupations has probably been considerably improved by the act."[3] On the

[1] Aves, Report to the Secretary of State for the Home Department on the Wages Boards and Conciliation and Arbitration Acts of Australia and New Zealand (London, 1908), pp. 71–77.

[2] Schachner, Die Soziale Frage in Australien und Neuseeland (Jena, 1911), p. 244.

[3] Clark, Labor Conditions in Australia, Bulletin of United States Bureau of Labor, no. 56 (January, 1905), pp. 71–72.

other hand, another American investigator, Mr. Harris Weinstock, who visited Victoria in 1909, in his report to the Governor of California says: "The consensus of opinion of all interested parties is that wages boards have so largely minimized sweating that it is no longer an evil in Victoria, where the 'sweater' has become a somewhat rare species." [1]

The reports of the chief factory inspectors in the Australian states would certainly lead us to believe that sweating had been reduced to a minimum, if not entirely eliminated.

Mr. Harrison Ord, the Chief Inspector for Victoria, after reporting progress in this direction for several years, was able to make the following statement for the (men's) clothing trade as early as 1900:

> I venture to affirm that there is now no sweating in the clothing trade in the State of Victoria. . . . In the short space of three years the whole circumstances of the trade have been changed. No complaints are now heard of gross sweating, or of clothes made in miserable homes for a more miserable wage. Many of the difficulties to which I referred in my report of 1898 have disappeared. The Department has little trouble in enforcing the Determination of the Board. The average wage paid will show that the majority of the men and women employed receive more than the minimum wage.[2]

In the following year (1901) Miss Mead, one of Mr. Ord's inspectors, had this to say concerning the underclothing trade:

> No change has been made in the Determination. Manufacturers continue to fix their own piece rates based on 4d. (8 cents) per hour for an average worker. I find that the work is most carefully timed and paid for accordingly. . . . Many of the notorious "sweaters" have settled down to fair prices, a few who at one time gave out work now make it up themselves instead of sub-letting it, while

[1] Weinstock, Special Labor Report on Remedies for Strikes and Lockouts (Sacramento, 1910), p. 72.

[2] Report of the Chief Inspector of Factories for 1900, p. 17.

others have disappeared entirely from the trade. Complaints *re* sweating are conspicuous by their absence.[1]

This testimony of the inspectors in regard to the above branches of the clothing trades is fully confirmed by the reports of other investigators in regard to the same and other trades. Thus, the Report of the Royal Commission of 1902–03, an unusually sober document, by no means free from criticism of the wages boards, said with reference to the clothing trade:

> To sum up the evidence in this trade, sweating in its worst form, which brought misery into so many homes, has almost disappeared, and if undercutting, and the payment of unduly low wages still exists, it is chiefly in the case of a few outworkers who act in collusion with their employers.[2]

The same report said of the underclothing trade:

> Workers themselves admit that there is a great improvement in their earnings. Such of the old sweaters as still remain in business have settled down to the payment of fair wages while others have disappeared from the trade.[3]

Of the shirt-making trade it was said that, —

> It will be admitted as a fact beyond dispute that in this trade the factory law has broken down a hideous form of sweating, and protected in no small degree an industrious and deserving class of women.[4]

Evidence furnished by later investigators offers no contradiction to these early optimistic reports as to the success of the boards in preventing sweating. When I was in Victoria in 1912, not only the factory inspectors but the men who had been most deeply concerned in the movement to prevent sweating, Mr. Samuel Mauger, Secretary of the Anti-Sweating League, Dr. Charles

[1] Report of Chief Inspector for 1901, p. 39.

[2] Report of the Royal Commission appointed to Investigate and Report on the Operation of the Factories and Shops Law of Victoria, p. xli.

[3] Ibid., p. xliii. [4] Ibid., p. xlii.

Strong, one of its early presidents and promoters, Mr. Alfred Deakin, Rev. A. R. Edgar and Sir Alexander Peacock were unanimous in the opinion that sweating no longer existed in Melbourne and its suburbs, unless perhaps in isolated instances in industries not yet brought under the influence of a wages board's determination. The Anti-Sweating League still maintained an existence not only to exercise a watchful eye over the administration of the Factories Act but also to bring to the attention of Parliament the needs of new boards in industries where wages seemed to be unduly low. Trade-union secretaries when asked whether they considered that " sweating " had been eliminated by the wages boards usually replied that in the sense in which that term was popularly used it had been, but that in many industries wages were still below what trade unionists regarded as reasonable rates of pay.

In other wages boards states than Victoria, while there were no serious complaints in regard to sweating, the conditions in the trades in which sweating is most likely to occur did not appear on the whole to be as favorable for the workers as in that state. In South Australia the delay in securing boards or in securing a revision of the rates fixed by the first boards in such trades as dress-making, millinery, shirt-making and white goods, and ready-made clothing, kept the wages in these trades abnormally low. Especially in the millinery business was the situation bad. The board itself had fixed the minimum rates " for females of the age of 21 years for the first, second and third years respectively " at the ridiculously low rates of 5s. 6d. ($1.33½) and 8s. ($1.94) a week. The determination was referred by the Minister to the Court of Industrial Appeals which confirmed it as issued by the board. " Wages in this trade," said Mr. Bannigan, the Chief Inspector,

" are the poorest of all callings, the highest rate fixed being only 16s. 6d. ($4) per week which is out of all proportion to the ruling rates in other classes of trade." [1]

In New South Wales the wages in most trades, especially those in which the workers are well organized, are fully as high as in Victoria, but the trades in which women are largely employed do not appear to be as much under the influence of wages board determinations as they are in Victoria. I was surprised to find, in several instances when in company with the inspectors I visited factories in which many females were employed, that for these workers no wages boards had as yet been established.

Closely connected with the problem of sweating is that of home work. It was the workers in their own homes, it will be remembered, who were the chief victims of the sweaters prior to the passage of the wages board legislation. It was the hope of the reformers that legislation would force these workers into factories where the hours of work and sanitary conditions could be more easily regulated. That the number of home workers did as a result of the determinations rapidly decline for a time in most lines of industry in which they were employed seems indisputable. This in some instances seems to have been due to the fact that the piece-work rates (by which alone the home workers are paid) were fixed on a basis higher than the time rates in factories. This had the effect of causing the manufacturers to employ workers in factories by preference.[2] Perhaps fully as influential as the change in wages in bringing about this result was the change

[1] Report of Chief Inspector of Factories in South Australia for 1911, p. 7.

[2] Reports of Chief Inspector of Victoria, 1897, pp. 6–7; 1898, pp. 9, 20–21; 1899, pp. 15–16; 1903, p. 26.

in methods of production whereby the work of manufacture was subdivided and the principle of team work introduced. This necessitated conducting the work in factories where the workers carrying on the different processes of production could maintain an even pace. This same change from home work to factory work, as is well known, has taken place in countries like our own where no wages boards have been in existence.

Of late years the decline in the number of registered home workers in the clothing trades of Victoria has been checked and there has been even a considerable increase. Thus in 1907, the Chief Inspector of Factories reported 1,455 registered home workers, all but 24 of whom were employed in various branches of the clothing trades, and he declared this to be " a larger number than has been registered for some years." [1] The only explanation offered for the increase was that " more work is being given out owing to the difficulty of securing enough workers to work in the factories." [2] By 1911 the number of registered out-workers had increased to 1,929, but the growth in numbers was explained by the fact that an amendment to the Factories Act forbade " the giving out from any factory of any work on clothing except to a registered out-worker " and this increased the number of registrations and gave the inspectors a more complete oversight of the out-workers.[3]

The number of home workers regularly employed at their own homes in New South Wales was 730 in 1910, which represented an increase of 90 over the preceding year.[4] They were nearly all found in Sydney, and were

[1] Report of the Chief Inspector for 1907, p. 62.

[2] Ibid.

[3] Report of the Chief Inspector for 1911, p. 28.

[4] New South Wales Statistical Register for 1910, Part vi, p. 603; 1909, p. 527.

principally females employed in the manufacture of clothing and textile fabrics.

In South Australia there was an apparently enormous decline in the number of home workers from 1,075 in 1907 to only 20 in 1908. But the explanation for this is found in the fact that after 1907 only those home workers were required to register who were " engaged in the manufacture of articles for factories or shops " and this, as Mr. Bannigan said, reduced the number to " almost the vanishing point." [1]

In Queensland the reduction in the number of home workers as a result of the wages boards' determinations has been very great. The Director of Labour in his report for 1913 says that the number of home workers in the ready-made clothing trade had fallen from 140 in 1909, the year before the award was made by the board, to 20 in 1913. He explains the decline as follows:

> I think the decrease may be attributed to the fact that the occupiers find it entails a very great amount of work keeping tally of the parts made by the workers, and also they consider the piece-work rate too high for the working of their indoor or outside workers. The award piece-work rates are not in force in a single factory in Brisbane; all are on weekly wages.[2]

But while, generally speaking, the determinations of the wages boards seem to have reduced, for a time at least, the number of home workers in the clothing trades, the determinations in certain other trades had the opposite effect. In the wicker trade of Victoria, for example, a wages board which had been formed in 1902 made a determination which increased the average weekly wage from £1, 2s. 11d. ($5.57) to £1, 6s. 2d. ($6.54). There was keen competition in this trade

[1] Report of the Chief Inspector of Factories in South Australia, 1907, p. 2.

[2] Report of the Director of Labour and Chief Inspector of Factories and Shops in Queensland for 1913, p. 24.

with Sydney manufacturers who at the time were independent of any board award. The result was that the Melbourne manufacturers reduced the number of hands in their factories to less than half the number formerly employed and according to one of the inspectors,

> The result has been that all those who have been thrown out of the factories have started on their own, and work all hours with the result that they undersell those who have to pay wages and work limited hours.[1]

2. *Wages and Working Conditions*

It is not possible in the compass of a single paper to show by means of statistics what effect the determinations of wages boards have had upon wages. Indeed, so numerous are the trades and the various branches thereof, so variable the number of workers, so diverse the modes of payment and so important the other elements entering into the situation, that it is doubtful whether even a complete tabulation of the changes made in the wages of the workers by the wages boards would throw any considerable light on the question as to what results have been achieved by this mode of wage regulation.

The Statistician for the Commonwealth of Australia, Mr. G. H. Knibbs, a careful and scholarly investigator, has prepared a table which shows the variations in wage index-numbers in the different Australian states from 1891 (before there was any wages board or arbitration court in existence) to 1912, when all the states as well as the Commonwealth had tribunals for the regulation of wages. The table was prepared on the basis of average wages in 1911, the number, 1,000 being taken as the index-number for that year in all the states.

[1] Report of the Chief Inspector of Factories in Victoria for 1902, p. 31.

VARIATIONS IN WAGE INDEX-NUMBERS IN DIFFERENT STATES, 1891 TO 1912 [1]

(Wages in 1911 = 1,000)

Particulars	No. of Occupations included	1891	1896	1901	1906	1907	1908	1909	1910	1911	1912
New South Wales...	158	858	819	855	883	907	910	939	965	1,000	1,055
Victoria.....	150	801	768	808	819	870	884	900	938	1,000	1,054
Queensland.....	87	910	874	903	911	916	927	948	962	1,000	1,013
South Australia.....	134	801	803	809	821	847	857	893	939	1,000	1,035
Western Australia...	69	887	908	913	914	914	921	927	969	1,000	1,034
Tasmania.....	54	939	854	899	937	906	906	915	966	1,000	1,168
Commonwealth.....	652	848	816	848	866	893	900	923	955	1,000	1,051

The table shows that the relative increase from 1891 to 1911 was greatest in Victoria and South Australia (the first states to establish wages boards) and least in Tasmania, where no tribunal for the regulation of wages existed during those years. But between 1911 and 1912 Tasmania showed the most remarkable increase of any of the states, an increase amounting to nearly 17 per cent. "This," says Mr. Knibbs, "is no doubt accounted for to a large extent by the fact that the wages board system was first adopted in Tasmania in that year." [2]

Without pretending to deny the accuracy of this conclusion as to the effect of the wages board system in Tasmania, it may be well to point out that this table gives evidence in itself as to how unsafe is the *propter hoc ad hoc* method of argument in such cases.

The lowest point reached in the wage scale in nearly all the states, as here shown, was in the year 1896. But the index numbers show that the increase of wages

[1] From Knibbs, Report no. 2, Labour and Industrial Branch of Commonwealth Bureau of Census and Statistics (April, 1913), p. 26.

[2] Trade Unionism, Unemployment, Wages, Prices and Cost of Living in Australia, 1891 to 1912, Report no. 2 of Labour and Industrial Branch of the Commonwealth Bureau of Census and Statistics, pp. 26–27 (Melbourne, April, 1915).

in Tasmania between 1896 and 1901 or between 1896 and 1906 was greater than in any other state, altho Tasmania was at the time without any method of legal regulation of wages; while it was during these years that the machinery for regulating wages was put in operation in all the other states, with the exception of Queensland.

In the review of the work of the various boards which for years has been carried in the annual reports of the Chief Inspector of Factories in Victoria, the attention of the reader is directed to the average weekly wages paid to employees in the trade the year before the determination came into force and then to the average weekly wage paid in the same trade the year in which the report was made.

The change is nearly always in the direction of an increase. Aside, however, from the fact that changes in the proportion of skilled and unskilled workers, or of men and women employees, or of adult and juvenile workers, will affect the average wage in the trade without necessarily affecting the wages of individual workers, it must be remembered that the period since 1896, when the Victorian wages board legislation was enacted, has been a period of rising wages and prices the world over. Therefore without any legislation the average wages in these Victorian trades might naturally be expected to have risen. Furthermore, the wage statistics for the trades for which no boards were provided almost universally show the same upward movement of wages. The question therefore becomes one of the relative rates of increase in the regulated and unregulated trades.

Mr. Aves in his report [1] has made a study of the variation in wages in selected board trades both before and

[1] Op. cit., pp. 28–31.

after the determinations came into force and has also shown the variations in selected non-board trades. He shows that for male employees in thirteen board trades the advances in wages previous to the determinations amounted in the aggregate to 7.6 per cent on the combined average rates of the trades, while in nineteen board trades after the determinations came into force the aggregate advance was 16.5 per cent on the combined average rates, and in twelve non-board trades the aggregate advance was 11.6 per cent on the combined average rates.

For female workers the advance of wages in the after-determination period in six trades was equal to 10 per cent on the combined averages and in twelve non-board trades the advance was equal to 8.8 per cent on the combined averages. Taken in connection with other wage statistics [1] these figures seem to show in a fairly conclusive manner that the determinations of the wages boards have been a contributing influence in the wage increases which have taken place.

The task of the wages board is of course not to establish a rate for all workers in a given trade or to concern itself with average rates in that trade, but to establish the minimum wage which may be paid to the workers generally in the trade for which the board is appointed, or various minima for the different branches of the trade or for different groups of workers classified according to sex, age and experience. It has seldom happened that a wages board has reduced wages either for the trade generally or for any particular branch of the trade, altho it has occasionally happened that the effect of a board's determination has been to reduce the average wages paid, since employers after the determinations were made replaced adult male workers by women workers or

[1] See especially the Aves Report, p. 43.

by apprentices or by so-called "improvers," that is employees who have not yet had the necessary experience to enable them to earn the wages of a fully experienced worker.

There is no guidance in the statutes as to the principle on which the mimimum wage should be fixed. The only thing of this sort which has been attempted was the amendment to the Victorian law in 1902, which instructed the boards to ascertain the average rate or wage "paid by reputable employers to employees of average capacity" and to fix the minimum wage or rate no higher than such average rate. The same requirement was copied into the factories acts of the other states having the wages board plan. Inasmuch as the statutes did not attempt to define the word "reputable," it cannot be said that Parliament had done much in the way of furnishing a guiding principle to the boards. The clause, however, proved very embarrassing to the boards in their work. It meant in practice that a board could not raise the rates above the current rates in the trade without putting itself in the embarrassing position of claiming that most employers were not reputable. Accordingly in all states this provision of the law was repealed.

In the absence of any guiding principle the boards have been free to act according to whatever principle they saw fit to adopt. Generally speaking they have not consciously followed any principle, but wages have been established in accordance with the bargaining powers of the respective sides. The decisions of the arbitration courts, especially those of the Commonwealth Arbitration Court, in which Mr. Justice Higgins has set forth so clearly the principles which he has followed in establishing a minimum wage, have undoubtedly exercised considerable influence on wages

board determinations, but only by force of example and not because of any legal compulsion to follow these precedents. In turn it may be said that the judges in the arbitration courts have frequently been influenced and guided by the determinations of the wages boards.[1]

Altho originally established to provide a minimum rate of wages in the trades in which wages were below the sum necessary to provide a decent subsistence for the worker, wages boards in Australia have long ceased to be guided by the notion of a subsistence wage. The workers in the strongly organized trades would not consider it worth their while to struggle to secure a minimum wage which was merely a subsistence wage. The wage for which they contend is the standard rate or wage, the one which will become the prevailing rate or wage in the trade in question. The result is that minimum rates of pay are established in the same way and on the same basis as they are established under voluntary collective bargaining where both employers and employees are well organized. Employers who at first strenuously objected to this have ceased to urge their objections and now recognize that so long as their competitors are obliged to pay the same wages there is little reason to fear the standard rates. At times when they have had reason to feel that the rates were fixed too high by the board, and that in consequence they would be unable to compete with outsiders, the employers have appealed to the Court of Industrial Appeals for a reduction of the rates fixed by the board. Reductions have been made by the Court in Victoria in the following trades or occupations: artificial manure, boiler-making, bread, builders' laborers, commercial clerks, fell-mongers, fuel and fodder, and ice. In one or two

[1] For a statement of the principles followed by the arbitration courts in fixing wages, see my article on "Judicial Determination of the Minimum Wage in Australia" in American Economic Review, June, 1913.

other trades, certain employees have secured from the Court an advance in wages over those allowed by the boards, but this advance has been due to a readjustment of the board rates in the various branches of the trade rather than to any intentional design on the part of the Court to raise wages above those established by the board.

Statements are frequently made that any system of wage regulation through wages boards or compulsory arbitration is bound to exercise a leveling effect upon wages. The original intent of the law, it is said, was to establish a minimum wage which should afford a decent subsistence to the worker but which should by no means represent the maximum wage in the trade or even the average wage. The board, however, under the strong pressure of the workers' representatives is led to fix the minimum so high that, it is claimed, employers can pay it only by bringing down the wages of the most competent workers to the rates established by the board for the less competent. In other words, the minimum wage becomes the maximum, and it is held that there is no incentive for the ambitious worker to put forth his best efforts. That this is one of the results of wages board determinations is an opinion which has been held by more than one investigator [1] and it is even now shared by many men in Victoria, not only by employers but by men prominent in public life like Messrs. Deakin, Peacock, and Watt, who have been and are still friendly to the wages board plan.

In spite of this strong support given to the theory, it appears to be one which is supported by *a priori* arguments rather than one based on the proof of actual experience. No doubt boards have at times made the

[1] Clark, op. cit., pp. 65–66. Schachner, op. cit., pp. 246–247. Report of the Royal Commission of 1902 in Victoria, pp. xxxviii, xlv, xlix.

mistake of setting the minimum rate too high, — a rate at which it was profitable to employ only the best employees. Perhaps at other times, altho the minimum fixed was low, some employers have taken advantage of it to reduce the wages of their workers. But in a country in which labor is as scarce as it is in most trades in Australia this has not been the usual result of a wages board determination. Several times in talking with employers who held such opinions as the above, I have asked them whether in their own factories the majority of the employees were working at the minimum rates. Invariably it has turned out to be the case that few if any of their own employees were working at rates as low as the minimum established by the boards. Of course in those trades where payment by the piece prevails, there is no danger of equality of earnings. But even where time wages are the rule, there is no good and sufficient reason why the regulation of wages by wages boards should cause wages to seek a level.

Employers are not obliged under minimum-wage laws to retain in their employ any one who is unable to earn the minimum fixed by the board, nor do they as a matter of fact do so. On the other hand, there is no reason why men whose superior ability has enabled them prior to a determination to earn a wage in excess of the minimum fixed by the board should allow their wages to be brought down to the legal minimum merely because their employers may have been compelled to raise the wages of those employees who had been paid less than the minimum established by the board. In the highly sweated trades, where advantage had been taken of the individual's poverty and weakness, the first effect of the determinations was undoubtedly to raise the wages of most of the employees. In this way the wages may be said to have been "leveled up," *i. e.*,

the gap between the poorest-paid and the best-paid workers was lessened.

This would account for such a condition as was described by the Royal Commission of 1902, which discovered that "there are clothing factories where no woman or girl receives more than 20s. a week" (the minimum wage fixed by the board).[1] Evidence furnished to the Commission showed that in this industry many if not most of the employees had been receiving less than 20s. a week prior to the determination. There was no evidence that the wages of the more competent workers had been reduced, but employers who were obliged to pay the legal minimum to all their hands introduced the task system, *i. e.*, they required a certain minimum output in return for the 20s. wage.[2]

The testimony of the factory inspectors and the wages statistics collected by them do not bear out the contention of those who claim that the wages boards' determinations tend to level wages. In Victoria the late Mr. Ord said in 1901: "The special board system has now been in force in a few trades since 1897 and I have no hesitation in saying that the minimum wage is never the maximum wage," and he quotes both the minimum and the average wages in several of the board trades to confirm his statements.[3] Mr. Bannigan, the Chief Inspector in South Australia, said with reference to the first determination in the clothing trade:

> So far I have not heard of any case of levelling down of the higher paid workers and the increased wage fixed for the lower-paid hands has merely resulted, so far as can be seen at present, in a demand for more experienced workers.[4]

[1] Report of Royal Commission of 1902, p. xxxviii.

[2] Ibid., p. xl.

[3] Report of the Chief Factory Inspector for 1901, pp. 11–12.

[4] Report of the Chief Inspector of Factories in South Australia for 1905, p. 2.

The later wage statistics, so far as can be ascertained, tend to support this view of the inspectors that wages are not brought down to the level established by the board's determinations. Unfortunately, the method of presenting wage statistics in Victoria and other Australian states is not one which brings out the effect of a determination as it would be brought out if classified weekly wages or classified weekly earnings were given. The annual reports of the inspectors' office in Victoria show in one set of tables the minimum rates established by the boards in the various trades for which wages boards have been provided. In another table the average weekly wage for the trade as a whole is shown; the workers being classified only according to sex and age. In most of the trades, however, not one minimum wage is fixed for adults but several minima according to occupation or the nature of the work. Comparisons can only be made, therefore, between minimum wages and average wages and then only in those trades in which the adult workers are unclassified and one minimum wage has been fixed for all the adult males or all the adult females. In a few cases, however, comparisons may be made in this way for trades in which a considerable number of workers are employed. In the following table, unless otherwise stated, the figures refer to adult male workers.

Those who have been led to believe that the determinations of wages boards tend to establish one level wage for all workers irrespective of their abilities, have apparently been influenced by the fact that in nearly every industry where time wages prevail the great majority of the workers in any given occupation receive the same weekly wages, and since in the trades governed by the special boards this standard wage or rate of pay is generally the minimum wage fixed by the board, the

COMPARISON OF THE MINIMUM WAGES AND THE AVERAGE WAGES IN CERTAIN TRADES IN VICTORIA

Occupation	Date of Determination	Minimum Wage fixed by Special Beard			Average Wage for 1913			No. of Workers on which Average is based	Hours of Work
	d. m. yr.	s.	d.		s.	d.			
Bill posters	18 10 '13	51	0	$12.39	52	9	$12.82	41	48
Boot makers	1 1 '13	54	0	13.12	57	0	13.85	2,723	48
Bread carters	16 8 '12	48	0	11.66	49	2	11.95	540	60
Commercial clerks	31 3 '13	48	0	11.66	62	6	15.19	1,476	48
Coopers	5 4 '13	66	0	16.04	67	8	16.44	111	48
Furniture makers (male)	1 11 '12	57	0	13.85	62	1	15.09	960	48
(Female)	1 11 '12	27	6	6.68	30	6	7.41	26	48
Jam trade workers	22 2 '13	48	0	11.66	50	9	12.33	196	48
Livery stable employees	19 8 '12	42	0	10.21	45	10	11.14	137	65
Milliners (female)	3 11 '13	25	0	6.08	32	1	7.82	456	48
Office cleaners (male)	10 11 '13	42	0	10.21	48	5	11.77	5	50
(Female)	10 11 '13	22	6	5.47	24	5	5.93	25	30
Painters	1 11 '12	60	6	14.60	61	3	14.88	383	44
Underclothing workers (female)	1 12 '10	20	0	4.86	24	1	5.85	951	48

investigator concludes that the determination is responsible for the uniform rate of payment. What he fails to notice is that there is the same uniformity in trades in which there are no wages boards, provided the wages are paid on the time basis. Employers cannot measure individual variations in productivity unless they are very pronounced, or unless the piece-rate method of payment is employed. Accordingly they fix a certain wage which they offer to men whom they suppose to possess at least average ability and which, generally speaking, these men accept. This condition is not peculiar to Australia. It is fully as true of time wages in our own country, and the larger the establishment the more uniform are the wages paid to the workers in any given class or occupation.

3. *The Displacement of Labor*

The most serious charge brought against the method of regulating wages by wages boards is that it causes loss of employment to those who are unable to earn the minimum wage. It seems somewhat inconsistent for those who claim that wages board determinations result in a leveling of wages to claim also that they cause loss of employment, for if employers reduce the wages of the more competent workers in order to pay the minimum to those less competent, it is clear that there is no excuse for dismissals.

The friends of the wages board generally admit that one of the effects of the legislation has been a certain displacement of labor. In the case of piece-rate workers it is said that this need not be the result. Even tho the rate per piece be increased by the determination, the old, slow or physically unfit workers may continue at work, for the piece-work rates are fixed on the supposition that a worker of average ability working at these rates can earn the minimum wage which the board had agreed to. In the case of those whose pay is measured by the day or the week, however, there are bound to be some whose services are not worth to the employer even that wage which a special board might decide to be necessary to maintain a decent subsistence.

The point at which a man's inability to produce enough to make it worth while for his employer to continue him in his service is one which, of course, is reached sooner or later by nearly every worker who engages in manual labor, and the " dead line " in industry is one which is faced by wage-earners in every land. The most that can be said against a minimum-wage law in this respect is that it is likely to bring the old and naturally slow worker face to face with the situation

resulting from his loss of earning power sooner than might otherwise be the case. The character and position of such a man is well described by Mr. Bannigan, the Chief Factory Inspector of South Australia, in his annual report for 1908.[1]

> The first sign of decreasing usefulness in the male worker generally occurs at about the age of fifty, when the sight begins to get troublesome for indoor work, and thereafter he finds it difficult to keep pace with the bustle of factory life and gradually drifts out of it to give place to younger and more active men.

The Factories Act of 1896 in Victoria, which provided for the first wages board, made no provision for the workers who were unable to earn the minimum wages fixed by the several boards. Whether the framers of the act failed to see that a displacement of some of the workers would be one of the results of the establishment of the minimum wage, or whether they believed that the advantages of having the great mass of the workers paid living wages would outweigh the disadvantages of having a certain number of inefficient workers lose employment and be cared for by their friends or by the state, does not appear from the debates. It has been said that the friends of the wages boards thought that old age pensions would cure the evil, but it is more likely that this was an after-thought rather than a deliberate purpose. The Victorian old age pension law was not in operation until 1901, nor was there any old age pension law on the statute books of any Australian state at the time the Factories Act of 1896 was passed.

Whatever may have been the thought or intentions of those who framed the law, those who were called upon to administer it were confronted with the fact of displacement as soon as the determinations had been made and had gone into effect, and the question arose as to how

[1] P. 1.

the interests of the old, infirm and slow workers were to be protected.

The difficulties during the early years seem to have been largely in the clothing and the boot trades. In the latter trade the position of the slow workers was made more difficult by the fact that the introduction of machinery was itself tending to displace labor.[1] The Royal Commission of 1902–03 reported that

> When the minimum wage was enforced in 1898, one of the largest employers, with a staff of 280, stated he had dispensed with 60 to 70 hands; another with a staff of 200 had dismissed 20, while a third who gave work to 160 persons expressed the opinion that one out of every eight adult males in the trade had lost their (*sic*) employment and had never regained it.[2]

Mr. Ord attributed the difficulties in both the boot and clothing trades to the fact that the piece-work rates were fixed too high and were not based strictly on the minimum wage. In the absence of any statutory authority he refrained from prosecutions when old and infirm workers were employed at lower wages than those fixed by the boards and he even granted permits to these old and infirm workers to continue at work at rates which were specified in the permits. He did not feel at liberty, however, to assume the responsibility of dealing in the same way with the workers who were naturally slow. In spite of the admitted defects of the law and the suffering caused, the Chief Inspector did not think that the interest of the old and slow workers should be allowed to break down the law. He said:

> It has been my duty to listen during the past year to many of the histories of the old and slow workers. No duty I have ever had to perform has been so painful to me and no one feels more than I do that some provision should be made for such workers. At the

[1] Report of Inspector Hall in Report of Chief Factory Inspector of Victoria for 1897, p. 9.

[2] Report of the Royal Commission in Victoria, 1902–03, p. xxxvi.

same time, it is not desirable that they should be made use of for attacking the minimum wage if, as in the case of the Boot Board, the evidence is against their being employed whether there is a minimum wage or not, owing to there being a larger number of young men available than are required for the trade.[1]

In neither the bread trade nor in the shirt trade, where the piece rates had been based on the minimum wage, were there any difficulties at this time with the old, slow or infirm workers,[2] but in the furniture trade there was the same difficulty as in the boot trade and for the same reasons.[3]

The Act of 1900 granting to the Chief Inspector the power to issue a license to aged or infirm persons to work at less than the minimum rate but at not less than the rate named in the license solved the problem for the old and infirm workers (but not for the slow ones) in a manner which to Mr. Ord seemed quite satisfactory. He issued sixty of these permits between May 1st and December 31st, 1900, and reported that the majority of the permit workers themselves received the licenses in the most friendly manner and apparently without any feeling of humiliation. Some employers sought to take advantage of the system by sending their employees to get permits at rates at which the employees themselves refused to work and which the Chief Inspector would not countenance. The men nevertheless were able to secure work at the rates named in the permits.[4] This effort to take advantage of the permit system by employers appears in other trades [5] and in the reports from other states.[6]

In 1901 Mr. Ord again referred to the permit workers in these terms:

[1] Report for 1898, pp. 12–13.
[2] Ibid., pp. 6, 15.
[3] Ibid., p. 17.
[4] Report for 1900, p. 13.
[5] Report for 1904, pp. 20–23.
[6] Report of Chief Inspector in South Australia for 1908, p. 4; Tasmania, for 1911–12, pp. 18, 24.

It is frequently still stated at public meetings that the board system prevents old and infirm men from obtaining work. I have never heard of such a case and probably I see more of such workers than any one in the state.[1]

Again in his Report for 1902 [2] he states that he had granted during the year 227 licenses in the 29 board trades in which there were about 30,000 workers whose minimum wages had been fixed by the determinations, and there was " not the slightest foundation " for the statement that the special board system was hard on the old and infirm workers. On the contrary, he said:

I have reason to believe that these workers obtain better wages than they would if the rates of pay were not fixed by Special Boards, and that they have less difficulty in obtaining employment than old and infirm workers in trades not under the board system.

Once more, in 1905, Mr. Ord referred to the " vague impression " among business men in Melbourne that the fixing of wages by special boards was injurious to the old, slow and infirm worker and he said:

I desire to again state that I do not believe there is a single case of such a kind, and if any one knows of any such worker being injured I will undertake to at once remove all cause of complaint if the name and address of the person is forwarded to this office.[3]

The officials now in charge of the factory inspectors' office in Melbourne express in more moderate language the same opinion held by Mr. Ord, namely, that the extent of the displacement of the old and slow workers by the minimum wage is not great. Mr. H. M. Murphy, Mr. Ord's successor as Chief Inspector, has recently written to the New York Factory Investigating Commission, in reply to a question asked, as follows:

Legislation which fixes a standard wage undoubtedly has the effect of displacing the unfit. Our experience, however, shows that this dislocation is not serious, and that as a rule things regulate

[1] Report for 1901, p. 12. [2] P. 13. [3] Report for 1905, p. 8.

themselves fairly satisfactorily. It is true, however, that in Victoria for some years there has been a shortage of labor, and this fact probably has a good deal of bearing on this point. I do not think there is any evidence that philanthropic agencies have ever been called upon to increase their work through minimum wage legislation.[1]

Mr. M. H. Stevens, the Assistant Factory Inspector, who had charge of the granting of licenses at the time I visited Melbourne, believed that the permit system was working satisfactorily, and he felt sure that if there were any considerable number of workers who were unwilling to apply for licenses and were, nevertheless, being forced to yield their places in industry to the younger and more active workers, it would have been brought forcibly to public attention.

There is no reason whatever to doubt the honesty of the opinions held by the factory inspectors and there is much to be said in favor of their views that if dismissals of employees because of age, infirmity or natural slowness were frequent, more attention would be focused on this part of the Factories Act. Yet the argument is one which is not entirely convincing. The reports made by all investigating commissions in Australia [2] and the opinions of nearly all impartial investigators from outside Australia are to the effect that the fixing of a legal minimum wage does result in an earlier displacement of the old, infirm and slow workers than would take place without the law. Thus, Mr. Harris Weinstock, who is unusually enthusiastic over the success of the wages board legislation admits that

> The system is hardest upon the slow or inefficient worker who cannot make himself worth the minimum wage fixed by the wages

[1] Report of Irene Osgood Andrews to New York State Factory Investigating Commission (1914), p. 63.

[2] Report of Royal Commission (Judge Backhouse) of New South Wales in 1901, p. 29. Report of Royal Commission of 1902–03 in Victoria, Report of Select Committee of Legislative Council of South Australia, 1904.

board. . . . In good times the slow worker is the last to be put on, and in bad times he is the first to be sent off. This, as a rule, will be his experience in most every country and under most all industrial conditions, but since he cannot make his own bargains here, it works out still harder for him under a wages board law.[1]

Moreover, nearly all the manufacturers interviewed (and they were by no means unfriendly to the law) expressed the opinion that old and slow workers found it difficult to obtain employment in ordinary times in a trade subject to a minimum wage law and that the permit system had by no means remedied the situation. Indeed, in some respects it was said the existence of the permit makes the situation more difficult since it is a direct proof of the holder's inefficiency. The most capable manufacturers, those who sought to attract to their shops the best workers, said that they did not want the permit workers at any rate of pay. While the majority of them held that for humanitarian reasons they would not dismiss men who had been in their employ for some time and whose efficiency had begun to decline, they admitted that they would not offer employment to a permit worker seeking work. It is also the feeling of many manufacturers that many workers who are unable longer to earn the minimum wage at their trade shrink from such an acknowledgment of this fact as the application for a permit to work at a lower rate carries with it, and they drift out of the trade altogether, to add to the number of unskilled workers or to endeavor to carry on work in their own homes.

Statistics in none of the Australian states show the number of licensed workers who are at work in the various trades in which wages boards are in force. "Slow" workers were added to the list for whom the Chief Factory Inspector might in his discretion issue a

[1] Weinstock, op. cit., p. 66; see also Aves, op. cit., pp. 62–66; Schachner, op. cit., pp. 248–249, and Clark, The Labour Movement in Australasia, p. 231.

permit to work at a rate lower than the legally established minimum by the Victorian Parliament in 1903, and this is now the rule in all the states. According to a report made to Mr. Aves in 1907, the Chief Inspector in Victoria had issued 487 licenses which were then in force. This number was less than one per cent of the total number of employees in the 39 regulated trades.[1] In South Australia in 1912 there were only 95 licenses in the 57 trades under wages boards.[2] It is not claimed that these represent all persons in the regulated trades who are working at less than the minimum rates fixed by the determinations.

It must not be thought that the fact that the wages board determinations result in forcing out of employment a certain number of men and women who might otherwise continue for a time as wage-earners is to be viewed as a condemnation of the legal minimum wage. As already explained, the minimum wage merely hastens the operation of a force already in existence, which would sooner or later have compelled the same workers to yield their positions. The displacement of these workers means the employment of other and more active workers whose productive efficiency is greater. The displacement of the old and slow means that their necessities can no longer be taken advantage of to keep down the wages of the more efficient. Of course the responsibility of the community for these displaced workers is thereby increased, and this responsibility must be met by old age pensions, unemployment insurance and other means. But Mr. Mauger, the Secretary of the Anti-Sweating League, is doubtless right in his contention that there is a point beyond which the interests of the old and slow workers should

[1] Aves Report, pp. 62–63.

[2] Report of Chief Inspector for 1912.

not be considered by the boards when they come to fix the minimum wage.

From the standpoint of organized labor the use of the permit system is subject to a dangerous abuse. Trade-union secretaries seldom object to the granting of permits to those workers in the trade who are known to be old and infirm, but they look with suspicion on the claim of employers that a man because he is naturally slow cannot earn the minimum wage. It is pointed out that the slowness may be due to unusual care in production which improves the quality of the work. Besides the answer to the question as to whether or not a man is slow is largely a matter of individual judgment.[1] Generally speaking, however, there has been comparatively little criticism of the work of the inspectors in granting licenses.

The displacement of the old and slow workers is not the only displacement of labor which has been charged up to the wages boards. We have already seen that some of the early determinations caused a displacement of the home workers, but this was generally regarded as an advantage to the community, especially where those displaced had been working only for pocket money.

Of more significance is the displacement of men by women as shown by the condition in the clothing trade, where in 1896 in Victoria 33.7 per cent of the employees were women or girls, while in 1906 they made up 40 per cent and in 1913, 80.6 per cent of the total number in the industry. Probably other changes than the fixing of minimum wages were at work to bring about this result, but the Chief Inspector says that the great increase in juvenile female labor has tended to keep down the average wages,[2] and when one observes that

[1] Schachner, op. cit., pp. 248–249.

[2] Report of Chief Inspector for 1908, p. 28.

in 1913 the average wage for all males in the trade was 47s. 1d. ($11.44), while for all females it was 22s. 2d. ($5.38), it is easy to see what the tendency in the trade would be.

The displacement of men by women is not, however, the usual thing. Displacement of women by men is more likely to be the result of determinations which aim at the establishment of standard rates and which under the pretense of equity fix the same rates for women as for men. One of the inspectors in Victoria in 1903 reported that the effect of the board's determination in the leather goods' trade, which established the same rate for hand sewing (45s. [$10.93]) for women as for men, was likely to cause the women who for years had been doing a portion of this work to lose their employment.[1] Apparently in this case the board itself altered the rate for women, for the highest minimum rate for any class of female workers is now only 25s. ($6.06), while for men it is more than double that amount, — 55s. ($13.36).[2]

A notable example of a direct effort to exclude women from a given occupation is furnished in the boot trade. The work of skiving the leather uppers had been done by women on the Amazeen machine; that for soles on the Scott machine run by men. A machine called the Fortuna was introduced which could do the skiving for both uppers and soles. The work on this machine could be done by women and required very little muscular power. The representatives of the men on the Boot Board in Victoria argued that the rates should be fixed the same for women as for men but to this the chairman could not consent. However, some of the large employers came to the conclusion that it would be

[1] Report of Chief Inspector for 1903, p. 20.

[2] Report for 1913, pp. 95–96.

to their interest to have men do this work and they accordingly brought pressure on their own representatives, with the result that some of them went over to the side of the men and voted to establish equal rates for men and women for operating this machine. A New South Wales Board was asked by the workers to make the same award but refused to do so and when the case was appealed to the Arbitration Court, Mr. Justice Heydon held that this "was a claim by the men, for the men, that a wage should be imposed upon the women that would shut them out, and the women were not heard upon it." He would not agree to this.[1]

A more recent attempt to exclude the women was shown in connection with the first determination made by the Commercial Clerks' Board. Equal wages (48s. [$11.66] per week) were fixed for men and women by the board, but the women clerks, who had but one representative on the board, took an appeal to the Court of Industrial Appeals on the ground that equality of wages would drive them out of employment. The Court upheld their appeal and reduced the minimum wage for female cashiers in shops to 28s. ($6.79) per week and for all others to 32s. ($7.76), while the minimum wage for men was left at 48s.[2]

In some trades the effect of the establishment of a minimum wage for adults has been to increase the number of juvenile workers in the trade. This appears to have been the case in the underclothing trade in Victoria from the time of the first determination.[3] The removal of the restriction on the number of apprentices in 1903 greatly increased the tendency to employ juvenile labor, and both the number and percentage of

[1] New South Wales Industrial Arbitration Reports, 1911, p. 589.

[2] Report of Chief Inspector for 1913, pp. 60–61. See also Piddington Report, p. xxxix.

[3] Report of the Chief Inspector for 1899, pp. 12–13.

apprentices showed a great increase in several trades[1] during the years that this limitation on the power of the boards to fix the number and proportion of apprentices continued.

Still another and very troublesome form of displacement of labor for which the wages boards seem partially responsible is the substitution of Chinese workmen in the furniture trade for Europeans. The unpopularity of the Chinese and the fear that they would seek to control wages boards in their own interest led Parliament to provide for the appointment rather than the election of the wages board members in the furniture trade. This left the Chinese without representation on the board. The board declined to establish piecework rates and fixed the minimum wage first at 7s. 6d. a day and subsequently raised it to 8s. a day. Many of the Chinese could not earn the minimum wage, and in fixing the minimum so high it had undoubtedly been the intention of the board to exclude Chinese competition. Directly the opposite result was accomplished. The Chinese workers who would have been driven out of the trade entered into collusion with their employers to evade the law and to furnish no evidence as to the real wages paid. Many new shops with from one to three workmen apiece began business, and when the inspectors questioned them in regard to the wages paid they either claimed that wages above the minimum were being paid and offered their books in evidence or they said " Alle same company," or " We alle same share um plofits " or gave some other evasive answer.[2]

The result was that while the number of European workers in the furniture trade declined from 1,103 in 1899 to 989 in 1907, the Chinese increased during the

[1] Report for 1904, pp. 18–19, 36–37; 1905, p. 17.

[2] Report of Chief Inspector for 1897, p. 11.

same years from 488 to 565.[1] Since then, however, the Europeans have shown some increase, while the Chinese have hardly held their own. The inspectors make no concealment of the fact, however, that they are unable to enforce the determination of the wages board upon the Chinese, and the whole affair affords, as Mr. Ord said "a clear instance of how powerless laws are for the imposition of a minimum wage so soon as such wage is opposed to the interest of the majority of the employers and employees." [2]

Our conclusion with reference to the whole matter of displacement of certain classes of workers must be that the minimum wage, like any other economic change, of necessity compels some readjustment of industrial conditions. To make the readjustment employers will be likely to seek to economize on that portion of the labor force which on the new wage scale would be likely to yield them the least profit. This may mean a displacement of men unable to earn the minimum by those able to earn much above the minimum, or it may mean a substitution of juvenile labor for adult labor or of women for men.

The displacement will be all the greater if machinery can be substituted for labor. The displacement will be much greater at the time when the determination is introduced. If changes in wages are not made too rapidly or violently the displacement may be hardly noticeable, especially if there is no keen outside competition.

[1] Reports of Royal Commission of 1902–03, p. 6, and of Chief Inspector for 1907, p. 77.

[2] Report of Chief Inspector for 1897, p. 10.

4. *Effects on Industry and Industrial Growth*

In industrial matters, as is well known, it is usually impossible to single out one from a number of causes, and, by pointing to certain results, declare with certainty that these have been due to the cause designated. The statement holds as true of wages boards in Australia as it does of any legislative experiment in any country. Undoubtedly a mode of wage regulation as radical as that of a legally established minimum wage would have important consequences in industrial development. It is equally true that in Victoria as in other wages board states important industrial changes have taken place in recent years. To say, however, that these changes have been due to wages boards and to wages boards alone requires a degree of confidence in one's own judgment which is fortunately lacking in most trained investigators.

One thing can be said with absolute assurance; the direful predictions made in the Victorian Parliament at the time the wages board legislation was up for consideration, as to the loss of trade, the increase of unemployment and the ruin of industries, which would follow, have not been fulfilled. How much greater (or less) would have been industrial development in this state without this legislation we have no means of knowing, but that there has been a rapid and almost steady increase in the number of factories and of employees is demonstrated by the statistics. In 1896, when the first wages boards were authorized, the number of factories registered in Victoria was 3,370 and there were employed therein 40,814 persons, which was a number but little in excess of the employees in factories ten years before. Every year since 1896 has seen an increase over the preceding year in the number of fac-

tories and every year but one an increase in the number of factory employees, until in 1911 the number of factories registered was 5,638 and the number of employees 88,694.[1]

There have been, indeed, in Victoria since 1897, only a few unfavorable developments in the manufacturing industries which could in any way be held to have been the consequence of the labor legislation. Victoria, like other Australian states, has shared in the industrial prosperity which has so generally accompanied the upward movement in prices all over the world, and while it would be a mistake to hold the wages boards largely responsible for this prosperity, it is at least true that they have not caused depression.

The prediction that industries would be driven out of the state by the wages board determinations seems to have been fulfilled in only a few instances. I have already referred to the case of the brush factory which was closed and the business transferred to Tasmania, but this seems to have been due to the fears or stubbornness of the proprietor for he never gave the new system a trial in his establishment. The determination was welcomed by other employers in this industry.[2] Dr. Clark refers in his Report [3] to a cigar manufacturer who moved to Adelaide to escape wage regulation. In the case of the fell-mongering industry, which employers declared had been well-nigh ruined by the first determination in 1900, the Royal Commission of 1902–03 was unable to find that it had been seriously affected except by the employers' action in closing their yards.[4]

[1] Report of Chief Inspector of Factories for 1913, p. 5. Figures could be given for later years showing a further increase, but they would not afford a fair comparison since in 1912 an Order in Council was passed, extending to the whole state the provisions of the Factories Act which brought under registration factories not hitherto included.

[2] Report of Chief Inspector for 1902, p. 17.

[3] Labor Conditions in Australia, Bull. No. 56, U. S. Bureau of Labor, p. 77.

[4] Report of Royal Commission, pp. liv–lvi.

At the time the Commission made its report it was able to state that,

> One of these has resumed work with 50 hands, being about 30 less than before, and a second has started again with about 60 hands while the former manager of the last-mentioned firm has commenced business for himself with the same number. On the other hand, it is stated that one of the old firms has given up the business altogether.[1]

Three coöperative societies of workmen had begun work after the closing down of the plants. They paid themselves the minimum wage fixed by the board and worked only 48 hours per week. They bought skins in the open market and made no reduction in the price of the finished article, and seemed to be doing a good business.[2] As both the number of establishments and the number of employees have continued to increase since 1901 in spite of a large increase of wages[3] it is clear that the fears of the employers have not been realized.

The most notable example of the dislocation of industry following a wages board determination occurred in the boot trade, where the Royal Commission reported that after the first determination had been made,

> The wage system combined with the use of labour-saving machinery and keener competition resulted in the closing of a number of small factories (47 in all, it is said). This cannot be regarded as wholly an evil, however, as many of them were started without sufficient capital, under the high protection given to boot factories by the State Tariff, and being provided with poor equipment, they were too often noted for producing inferior goods and paying low wages.[4]

Among the complaints made against the wages boards in Victoria during the early years of their exist-

[1] Report of Royal Commission, p. lvi.

[2] Ibid.

[3] Report of Chief Inspector for 1913, p. 19.

[4] Report of Royal Commission, p. xxxvi.

ence, one of the most frequent was that the export trade of the colony had decreased as a result of the increase in prices made necessary by the artificial rise in wages. It was this complaint which led to the reduction already mentioned in the minimum rates at first fixed by the boards in 1897. In spite of the reduction in rates there was a considerable falling off in the exports of both boots and clothing during 1898 and 1899, and Mr. Ord admitted that " after making every allowance it is probable that Victorian manufacturers would find it difficult to compete in other markets with other manufacturers that were not subject to any minimum wage." [1] In both industries, however, the decline in exports was short lived, and the Royal Commission of 1902–03 reported for the boot trade that " any ground lost by manufacturers in the export trade had been fully recovered " [2] and for the clothing trade that " the fears of manufacturers have not been realized but on the contrary the command of inter-state markets has resulted in a considerable expansion of exports of apparel from Melbourne." [3]

In the furniture trade there was also some falling off in exports following the first determination, but this was largely if not entirely due to the fact that nearly one-half the exports prior to the determination had been to West Australia, where the rapid increase in population caused by the development of the gold-fields led to an active but short-lived demand. Other countries shipping to the same market showed a similar decline.[4]

Not all the comments on the effects of the wages boards system on industry even during the early years are of an unfavorable sort. Mr. Aves refers to the

[1] Report of Chief Inspector for 1898, p. 9.

[2] Report of the Royal Commission, p. xxxvii.

[3] Ibid., p. xli.

[4] Ibid., p. liii, Report of Chief Inspector for 1898, p. 17.

opinion quite widely held that the determinations had tended to certainty and regularity of employment for at least all but the old and infirm workers, and he says that in the trades in which underpayment was most likely, especially women's trades, " the lesson appears to be being learned that low wages are not necessarily the cheapest." [1] In both the clothing and the wood-working some employers have admitted that they could produce at less cost with the higher paid than with the lower paid labor.[2]

One possible effect of the minimum wage which does not seem generally to have been noted was mentioned to me by Dr. Purdy, the Chief Inspector of Factories in Tasmania. He says that shortly after the first determinations had become effective in that state, the merchants of Hobart reported that their sales had increased as a result of the increased purchasing power of the laborers.

Where the wages board system has tended to weaken the employer's position, it is generally because an apparent burden has been imposed on his business which has not been imposed on his competitors. Probably the most noticeable example of this is where manufacturers under the wages board system are compelled to meet the competition of manufacturers outside the state not under such a regulation. Many examples of this competition might be cited, such as that in the plate glass industry, where manufacturers declared they could not meet the competition of English manufacturers and must close their factories.[3] It seems likely that in this instance the imposition of a tariff on the raw material was as much responsible for their embarrass-

[1] Aves, Report, p. 47.

[2] Schachner, pp. 236–237.

[3] Report of the Chief Inspector of Factories in Victoria for 1901, pp. 32–33; 1904, p. 30.

ment as was the increase in wages. In the wicker industry the unrestricted competition of Sydney firms which were not at the time under wages boards was in 1906 seriously crippling the Melbourne manufacturers, who were compelled to pay 4s. for work which their Sydney competitors secured for 1s. 6d.[1] In the clothing industry it was shown that manufacturers from Sydney and Melbourne were sending goods to Adelaide to be made up there and then returned to the owners, in the years before South Australia had adopted the wages board plan.[2] Generally speaking, however, such competition was not very serious for two reasons. In the first place, it was not long before the other Australian states had adopted legislation which placed the same restrictions on employers within their jurisdictions as had been placed on those in Victoria; and in the second place, the fact of outside competition is always brought to the attention of wages boards and is frequently responsible for the small increases allowed.

Another form of competition which the establishments subject to wages board determinations have at times had to meet is the competition of country districts to which the determinations did not extend. Thus the Victorian manufacturers in the saddlery trade in 1901 complained when the effect of the board's ruling was to raise the wages in the trade that the determination only extended to cities and towns and the shops in boroughs or shires were given an unfair advantage.[3] The same complaint was made some years later by the furriers subject to a determination.[4] This form of competition, in Victoria at least, need no longer exist

[1] Report of Chief Inspector for 1906, p. 43.

[2] Report of Chief Inspector in South Australia for 1899.

[3] Report of Chief Inspector for 1901, p. 35.

[4] Ibid., 1907, p. 33.

for a determination may now be made applicable to all establishments in the state if an Order in Council is issued to this effect.

Another form of competition to which a regulated trade is liable is that of a trade not subject to a determination, but this is now not likely often to occur, since nearly all industries and occupations outside of agricultural callings and domestic service are provided with wages boards.[1]

That part of the work of the various boards concerning which employers have made the most complaint has been the limitation of the number of apprentices. This complaint was made in the " slop " clothing trade in 1899[2] and in the wood-working trade and various other trades in 1901.[3] The complaint became so loud that in 1902, Parliament took away from the boards the power to impose limitations on the number of apprentices. But the danger that apprentices would be used to displace adult labor and to defeat the purpose of the minimum rate led to the restoration of this right.

The same complaint in regard to the undue restriction of the number of apprentices and the counterclaim that apprentices were being used to keep down wages were made in Adelaide in the white work trade and in the bread trade.[4] It is the employer doing business on a small scale who is most likely to be seriously affected by the limitation on apprentices, since a board usually provides that there may be one apprentice for a given number of adult workers and the small establishment not employing this number of men is thus at times denied the right to employ apprentices.[5] As an offset

[1] Schachner, op. cit., p. 239.

[2] Report of Chief Inspector for 1899, p. 7.

[3] Ibid., 1901, p. 39.

[4] Report of Chief Inspector for South Australia, 1905, p. 2; 1908, p. 5.

[5] Ibid., 1908, p. 3; Schachner, op. cit., p. 240.

to this evil of too few apprentices, Mr. Ord called attention to the fact that the practice of having the board fix the number and wages of apprentices made it incumbent on the employer to give them some real training, so as to make them worth the wages which he would be compelled to pay if they were employed by him. "The natural result will be," he said, "an improved class of workers who will be a credit to their employers, the trade and the state." [1]

It is an opinion held by many in Australia that the wages board determinations benefit the large employer more than they do the small one. Because of his larger establishment the large employer can make a fuller utilization of the highly paid workmen. In the bakery trade, one Victorian inspector reported that the determination was weeding out the small baker, the man who employed only one hand. He would be unable to pay the minimum rate and would therefore himself enter industry as a wage worker.[2] A determination made by the Hairdressers' Board had the effect, so it was stated, of closing some of the smaller shops and throwing 70 men out of employment. In this case it was claimed by some that it was the intention of the board to bring about this result, and that the representatives of the employers on the board connived with the employees to fix the minimum wage so high that suburban shops in Melbourne could not operate. The Government for a time refused to gazette the determination but finally decided to do so.

Mention has already been made of the fact that the limitation on the number of apprentices or improvers is likely to bear harder on the small than on the larger establishment. The same thing is at times true of the

[1] Report of Chief Inspector for Victoria, 1900, pp. 11–12.

[2] Report of Chief Inspector, 1900, p. 14.

reduction in the length of the working day. Small shops located in the residence districts and receiving considerable patronage from people going to or returning from work are most likely to feel the effect of early closing laws and of the determinations which limit the working hours of their employees.[1]

The small establishment, however, is not always the one to feel most the effects of a minimum wage. In quite a number of cases the increase of wages had the result of multiplying the number of establishments that undertook to employ no hired labor whatever. Such examples are frequent in the furniture, baking, butchering and wicker work industries. In general it may be said that like any new element in industry, the effect of a determination is likely to be felt most by the least resourceful in any trade. Some readjustment has to be made to meet the conditions growing out of the increase in wages and at times this is best made by the large employer, at other times by the small one.

Except in a few instances the wages boards do not seem to have greatly increased specialization or to have hastened much the introduction of machinery. In the clothing trades increased specialization did come at about the time of the early determinations and was doubtless assisted by them.[2] Attention has already been called to the increased use of machinery in the boot and shoe industry, which certainly was not primarily due to the determination of the wages board but was doubtless promoted by it. In this industry the reduction in the cost of production brought about by the use of machinery served fully to equalize the increase of wages by the determination. Mr. Ord felt that one of the most useful results obtained by the wages boards

[1] Schachner, op. cit., p. 240.

[2] Aves Report, p. 53.

was to be found in this trade owing to this introduction of labor-saving machinery. He said:

> If there had been no minimum [wage] the results would have been disastrous. With an over-stocked labor market, the inevitable results of individual competition would have been seen. The value of the labour would sooner or later (except in the better-class factories) have been the necessities of the workers. Each man out of work would have been willing to take a "little" less than the man in work and when such men had got as low as they would go, the old, slow, and infirm workers would come in and cut still lower. . . . It is improbable that a low minimum would result in one more man being employed, as the best man would always get the work in the end, and those at work might as well be paid good wages, since a lower wage would not benefit those out of employment.[1]

No positive proof tending to show either increased efficiency or a decline in output on the part of the individual worker as a result of the determinations can be furnished. Too many and diverse causes enter into this matter, even if it could be shown that an increase or a decline in output had taken place. In the clothing trades the general opinion seems to have been that the early determinations had resulted in increased efficiency, but this may well have been because of the adoption of the task system. Employers whom I interviewed were almost unanimous in the feeling that the efficiency of the average worker had declined in recent years, and this same opinion was expressed by others than employers, men on the whole favorably inclined to the wages board system. The decline was generally attributed to the "go easy" or "make work" doctrines which they generally felt sure were being inculcated by trade-union leaders. The trade-union secretaries, on the other hand, indignantly repudiated this charge and most of them said that such a matter had never even been discussed in their meetings. They were also inclined to believe there had been no decline in output. When one

[1] Report of Chief Inspector, 1898, p. 12.

remembers that this same charge is made against trade unions in other countries, including our own, and is as vehemently denied by trade unionists themselves, he is prepared to conclude that, in the absence of any direct proof, whatever decline in efficiency, if any, has taken place is not to be charged up to the wages boards.

We may also say that there is very little evidence of "speeding up" by manufacturers as a result of the wages board system, tho the adoption of the task system in the clothing and boot trades [1] after the first determinations had been made furnishes examples. Generally speaking, however, the scarcity of labor in most lines of industry in Australia in recent years precludes any general adoption of such practice.

5. *Growth of Trade Unions*

To any one who is familiar with the strength of the trade-union movement in Australia and knows of the influence exercised in political as well as in economic affairs by the Trades' Hall in every capital city, it is hard to believe that the political system of wage regulation has not played an important part in this development of labor organizations. For the same reason it is hard to see why certain important officials of the American Federation of Labor are opposed to the regulation of wages in this country by wages boards or arbitration courts. One of the most important and influential of the Australian trade-union officials to whom I mentioned this attitude of our labor leaders shook his head and said: "I know it; out here we can't understand it."

According to a recent report of the Commonwealth Statistician, there were 433,224 members in 621 trade unions in Australia in 1912. There were 415,554 male

[1] Report of Chief Inspector of Factories in Victoria, 1898, pp. 13–14.

members, who constituted about 44 per cent of the (estimated) total number of male employees twenty years of age and over in all professions, trades and occupations; while the 17,670 females in unions made up 8.41 per cent of all employed females.[1] That the methods of wage regulation had apparently been one of the influences causing the growth of trade unions seems to be indicated by the fact that the membership in unions had remained almost stationary from 1891 to 1896, before wage regulation began, but had made rapid progress thereafter. The percentage of wage earners in unions is greatest in New South Wales, where the Arbitration Court frequently gives preference to unionists, but in Victoria, where the percentage is 43.98, the wages boards have undoubtedly exercised a strong influence.[2]

For many trades, especially those in which women or unskilled laborers are employed, the wages board is the beginning of organization. It brings the workers into coöperation for the first time and, for the time being at least, establishes representative government among them. If the determination raises the minimum wage rate, as it has done in nearly every case during the era of rising prices which has continued ever since the boards were established, there is a strong incentive for the workers to form themselves into a strong organization which shall see that they receive the wages prescribed. True, it is the business of the government factory inspectors to see that the determinations are complied with. But even a large force of inspectors could not learn of all the supposed violations if they were not brought to their attention by some responsible

[1] Report No. 2, Labour and Industrial Branch, Commonwealth Bureau of Census and Statistics (April, 1913), p. 12.

[2] Ibid., p. 13.

agency or organization. This the trade union undertakes to do. The wage earner who believes his employer has violated the determination in his trade is most likely to inform his union secretary who is usually a paid official giving all his time to trade-union matters. If the complaint appears to the latter to be justified he reports it to the Chief Factory Inspector's office and an investigation is made.

The value of such an organization, especially to women, who in Australia as elsewhere find it difficult to organize to protect their own interests, is obvious. It is doubtful if a full compliance with a wages board determination is anywhere secured without an organization of the workers to see to its enforcement. A secretary of one of the most powerful trade unions in Australia told me in Sydney that he had assisted the women in several trades to form organizations and apply for wages boards. Important increases in wages besides improvements in working conditions, were obtained in this way, and so important did this gentleman believe the work to be that he said that if financially able to do so he would give all his time to such work of organization. A well organized union not only watches the enforcement of the determination, but usually takes the lead in asking for a wages board or in seeking a revision of the rates of pay; and it nominates the workers' representatives on the board. Frequently these are the only nominees, and 80 per cent of the employees' representatives on the boards are members of the unions.[1]

Whether or not a well organized union having in its membership a good proportion of the employees in a trade is benefited by the wages boards system is a question which meets with different answers even

[1] Aves Report, p. 58.

among trade unionists themselves. The majority of the union secretaries whom I met were inclined to think that the wages boards were a benefit even to the strong unions, but there were others who thought that the unions could secure more through strikes than they could through wages boards.

There are other friends of labor outside the unions who doubt whether the wages boards are of any assistance to the unions. Even the author of the wages board law, Sir Alexander Peacock, doubts whether wages boards have been of much value to the well organized trades. There can be little doubt that their maximum benefits have been conferred upon those workers who without them as an incentive would have found it difficult to establish and maintain an organization.

As in the case of the workers, so too in the case of the employers, have the wages boards promoted organizations. Employers unite to nominate their representatives on the boards, to prepare their arguments presented to the boards, to appeal if need be to the Court of Industrial Appeals and to resist what they may consider to be an unfair administration of the law. There is less unity of interests, however, among employers than among employees. Not only is there the natural trade rivalry to keep them apart, but the large employers often find that a certain proposal affects them in quite a different way than it does their smaller competitors. While there are several strong associations of employers in Melbourne, such as the Chamber of Manufactures and the Victorian Employers' Association, which take an active interest in the work of the wages boards as well as in other matters of social legislation, it cannot be said that wages boards have fostered the spirit of unity among employers to the same extent that they have among the laboring classes.

6. *Relations between Employers and Employees*

The effect which wages boards legislation has had upon the relations between employers and employees must of necessity be a matter largely of opinion, and one's opinion is itself determined by the range of his experiences and by the views of those with whom he has come in contact. In Victoria, as in other industrial countries, these relations are frequently strained, and one finds the same mutual distrust and suspicion on the part of employers and employees which seems everywhere to accompany the wage system.

There can be no doubt, however, that employers and employees are on more friendly terms in the wages board states than in those states where labor disputes are settled by means of compulsory arbitration. It is almost self-evident that a better feeling is likely to prevail under conditions where employers and employees meet on equal terms in open conference to settle their differences, than where one side forces the other to appear in court to respond to certain claims advanced and the final adjustment must be made by a third party. One might well go further, and say that the conference plan itself must inevitably make for a better understanding and therefore give rise to a better feeling between the parties. Through such conferences employers learn to appreciate how difficult at times it is for their employees to make ends meet or to maintain a comfortable standard of living; employees on the other hand oftentimes learn to their surprise that the industry in which they are engaged is not a prosperous one and cannot continue its existence if the claims which the workers are making are to be allowed. Evidence that such good feeling has at times been engendered by the wages boards is found in the speech of a member of the

Legislative Council of Victoria in 1905, when the bill to make permanent the factories acts, including the wages board sections, was being debated. This member was engaged in the butchering trade. He said:

> There had never been in the history of the trade as good a feeling existing as at present. At the annual picnic of the journeymen butchers the president and other leading members of the Master Butchers Association were present and testified to the good feeling existing between them and their employees. Others had told him that they would on no account revert to the old state of things that existed prior to the introduction of factory legislation.[1]

A better test of the absence of any deep-seated ill-feeling engendered by the wages boards' system is seen in the relative infrequency of strikes and lockouts in those trades and occupations for which wages boards have been provided. In Victoria, in particular, a strike in any trade in which a wages board has reached a determination is now a thing of rare occurrence. Strikes of considerable duration and extent, which engendered much ill-feeling, have taken place on the government-owned railroads and in the state coal mine at Wonthaggi as well as in industries under private ownership and management, but with few exceptions these industrial disturbances have occurred in other than the wages board trades.

The annual report of the Chief Inspector of Factories in Victoria contains a brief history of the organization and work of each of the various boards. Only six industrial disturbances are there referred to as having occurred in the wages board trades. A lockout in the fell-mongering industry [2] in 1901 came as a result of the refusal of the Court of Industrial Appeals to change

[1] Hon. A. McLellan, Parl. Debates, vol. iii, p. 1608.

[2] Report of the Chief Inspector for 1901, pp. 23–24.

materially the wages board determination which reduced the working hours from 54 to 48 per week. A strike in the Chinese branch of the furniture industry [1] in 1897 occurred because the wages board on which the Chinese had no representation fixed the minimum wage so high that it caused wholesale dismissals of Chinese workmen. The Chinese workers had a strong union which required those at work to support those not employed. With the large number thrown out of work this burden on those who remained at work became too heavy, and the workers went on a strike, demanding the establishment of a system of piecework rates. The result was that the Chinese employers connived with their employees to evade the law, and, as already remarked, they have continued to do this ever since in spite of determined efforts on the part of the inspectors to secure evidence to this effect. Another strike occurred in the Chinese furniture trade in 1903,[2] which involved 27 factories and lasted twelve weeks. It resulted in a 10 per cent increase in wages. The strike was of course in no way due to the work of the wages boards since the Chinese were not complying with its determination. In 1906 in the stone-cutting industry, the letter-cutters, about twenty in number, went on a strike because they were dissatisfied with the board's determination.[3]

In his report for 1907 Mr. Ord, in reviewing the work of the Bread Board, had this to say:

> For the first time in over ten years a strike of some importance took place in a trade under a Special Board. It is a remarkable thing, however, that the strike was not against the determination of the Bread Board, but in consequence of the Court of Industrial Appeals altering a decision of the Board. . . . The Court after hearing evidence reduced the wages from £2, 14s. [per week] to £2, 10s., from the 15th of September, 1907. . . .

[1] Report of Chief Inspector, 1897, pp. 10, 11.

[2] Ibid., 1903, p. 17.

[3] Ibid., 1906, p. 36.

> From the 5th of August to the 14th of September the men had been receiving the increased wages allowed by the board. This fact no doubt had a good deal to do with the action of the union later on, as men do not willingly submit to a reduction of wages no matter how obtained, and in this case it had been granted by a tribunal appointed by Parliament for the purpose of fixing wages. . . . The strike commenced on the 29th of September. It was not of long duration. On the 2d of October the majority of the employers concerned granted the demands of the union, and the strike was over.[1]

The last of the six strikes to which reference is made in the Chief Inspector's report was that of the timber stackers and sorters which occurred in March, 1910, as a result of a determination of the Wood Workers' Board which had fixed the wages of the stackers at 1s. less than the rates which had been paid. The stackers felt that they had not been satisfactorily represented on the board and engaged in a strike which lasted seven weeks. It was finally ended by the Minister, who called together a new board which adopted a new schedule of rates more satisfactory to the stackers and sorters.[2]

The above record of strikes and lockouts in the wages board trades, which has been gleaned from the reports of the Chief Factory Inspector's office in Victoria is possibly not complete; altho I have no reason to think that any industrial disturbance of any consequence has been omitted. Mr. Ord, in the various reports which he made up to the time of his death in 1910, always referred to the strike in the bakeries as the only one of any consequence which had taken place in an industry subject to a wages board determination. This is certainly a remarkable showing for the wages boards as a means of securing industrial peace. In the neighboring colony of New South Wales, with employers and employees subject to the severe penalties of the Industrial Arbitration Acts, there were between July 1, 1907,

[1] Report of Chief Inspector, 1907, pp. 18, 19. [2] Ibid., 1910, p. 71.

and March 31, 1913, no fewer than 447 "industrial dislocations." [1] Even in New Zealand, which has made a much better showing under its compulsory arbitration acts, there were between January 1, 1906, and March 31, 1912, thirty strikes coming within the scope of the arbitration act,[2] and some of them were affairs of considerable magnitude. In making this comparison between Victoria and other states it must of course be remembered that until very recently wages boards have not been found in industries (like coal mining and the transport industries) in which strikes are most frequent. Nevertheless, after making all due allowance for varying conditions, Victorian experience goes far towards justifying the assertion that it is the provision of means whereby the important differences between employers and employees may be adjusted in a friendly and equitable manner, rather than the element of compulsion, which leads to a diminution of strikes.

The Factories and Shops Act of Victoria contains no prohibition of strikes or lockouts nor are any penalties provided for those who take part in such industrial disturbances. Nevertheless, there is a very strong public sentiment in Victoria in opposition to strikes or lockouts in any trade or industry for which a wages board has made a determination. Mr. Ord undoubtedly reflected public feeling in regard to the matter when in his annual report for 1906 [3] he had this to say apropos the strike which had taken place in the stone-cutting trade:

> It does not seem fair that men should obtain all the legal advantage of a minimum wage and then seek by a strike to secure an advance on the legal wage. If such a policy were adopted the em-

[1] New South Wales Industrial Gazette, April, 1913, pp. 18–36.

[2] Twenty-First Annual Report of the (New Zealand) Department of Labor, 1912, p. 11.

[3] Pp. 39, 40.

ployers would be in the position of having to pay the rates fixed by boards plus such an amount as might be secured by a strike or the dread of a strike.

It is not that any one expects all employees to accept the lowest wage fixed by a board to which exception is taken; it is the united action of the trade seeking to secure for all employees a higher rate than that fixed by the board.

If the majority of the employees in a trade refuse to accept the wage fixed by a board and stop work till all are given the higher rate claimed, I think the determination of the board, so far as it relates to matters in dispute should be suspended so that both sides might be free to fight the case on its merits.

The strike in the bread-baking industry the following year led Parliament to follow the suggestion made by Mr. Ord and to incorporate in the Shops and Factories Act the following section:

Where the Minister is satisfied that an organized strike or industrial dispute is about to take place or has actually taken place in connexion with any process, trade, business or employment as to any matter which is the subject of a Determination of a Special Board or the Court of Industrial Appeals, the Governor in Council may by order published in the Government Gazette suspend for any period not exceeding twelve months the whole or any part or parts of such Determination so far as it relates to the matter in reference to which such organized strike or industrial dispute is about to take place or has taken place, and such suspension may at any time by an Order published in the Government Gazette be removed by the Governor in Council or altered or amended in such manner as he thinks fit.[1]

Altho this power to suspend a determination has never been exercised in Victoria and, if the record of the Chief Inspector is complete, only one occasion [2] has arisen since 1907 where the power to suspend a determination because of a strike *could* have been exercised, there can be no doubt that this section is a valuable preventive against strikes in wages board trades. What the laboring classes have gained by most deter-

[1] Factories and Shops Act of Victoria, Sec. 173.

[2] The strike of the timber sorters and stackers in 1910.

minations is too important to be sacrificed by a strike which, without public opinion to support it, would have little chance of success. Of course when an era of falling wages and prices comes, strikes against determinations which call for a reduction of wages may become more frequent, but even then it is probable that labor leaders with good judgment will see that a strike under such circumstances has little chance of success.

In the other states which are or have been under the régime of wages boards without the adjunct of an arbitration court, the record concerning strikes appears to be lacking. In South Australia, only one strike is reported to have occurred in a trade governed by a wages board prior to the adoption of compulsory arbitration. This was called by the carters and drivers. Inasmuch as the South Australian Factories Act forbade strikes and lockouts "on account of any matter in respect of which a board has made a determination" and provided for heavy penalties for violation of this provision,[1] the Chief Factory Inspector, Mr. Bannigan, considered it his duty to collect evidence in regard to the strike, which might be used in case the Minister decided to prosecute the strikers. With this end in view, Mr. Bannigan went to the Trades Hall to seek information. For doing so he was called before the Ministry, the Labor party being then in power, and was severely reprimanded for having taken steps which might endanger a peaceable settlement of the dispute and he was furthermore suspended from office for several days. This seems to give partial confirmation to the view that the power to suspend a determination is fully as effective as the threat of fines to prevent strikes in wages board trades.

[1] South Australia Factories Act of 1907, Secs. 159, 160.

Neither the Queensland nor Tasmanian reports make any reference to a strike or a lockout having taken place in a wages board trade. Tasmania has the same penalties for strikes and lockouts [1] as were found in the South Australian Act of 1907.

7. *Enforcement of Wages Board Legislation*

The success of the wages board laws, like that of any other form of social legislation, is dependent on the support given to these laws by public opinion and the means provided for their execution. Such legislation is bound to have more success in a state like Victoria, with a relatively high degree of industrial development and where the indignation of the people had been aroused by the stories of sweating, than it will have in a state like Tasmania, where there are no large cities and where the only industries of importance are those connected with agriculture and the production of minerals and raw materials, and where if any sweating of the workers has taken place it has not been of sufficient extent to excite much public concern.

Assuming that there is a strong public sentiment back of such laws, their successful enforcement is largely a question of time and experience. In all the states where wages boards have been established, the first few years following the enactment of the laws and the adoption of the first determinations have witnessed more difficulties in connection with the enforcement than have later years. In part these difficulties are attributable to the rebellious attitude which certain employers always adopt towards new regulative legislation. In the main, however, the difficulties have been due to differences of opinion concerning the meaning

[1] The Wages Board Act (of Tasmania) for 1910, Secs. 54, 55.

and scope of application of the laws and the boards' determinations. Many of the determinations are very complex and detailed affairs and include a very comprehensive classification of employees and of the processes of manufacture. It is not surprising that many questions arise as to the place in this classification into which a given employee falls or as to what minimum rate of pay is to apply when an employee is shifted from one line of work to another. Faulty determinations of the boards or uncertainties as to their meaning have therefore been responsible for many of the administrative difficulties in connection with the laws.

Both in Victoria and in South Australia the chief difficulties in connection with the enforcement of the boards' determinations have had to do with the question of apprentices and improvers. The acts give to the boards power to fix the wages of apprentices and improvers and the number of each class which may be employed in proportion to the total number of employees, but the first acts did not define the words "apprentices" and "improvers." The legal authorities who construed the law decided that an apprentice was not necessarily a person legally bound by indenture. The result was that the two terms "apprentice" and "improver" were practically synonymous in the meaning which employers sought to give to them. When the Factory Inspector's office took action against an employer for paying less than the wages provided for apprentices he would claim that the employee in question was not an apprentice but an improver, and *vice versa*.[1] Later amendments to the act have sought to define the meaning of these terms, and some of these definitions go into great detail in their descriptions. Generally speaking, an *apprentice* is now defined as

[1] Report of Chief Inspector of Victoria for 1898, p. 19.

"any person under twenty-one years of age bound by indentures of apprenticeship;" [1] while an *improver* is any learner under twenty-one years of age who is not an apprentice, or any one who is over twenty-one and who holds a license from an inspector to be paid as an improver.

Next to the troublesome questions concerning apprentices and improvers, probably the chief difficulty which the inspectors have had to meet arises in cases where employees, fearing discharge if they assert their right to receive the minimum wage, have connived with their employers to evade the law. Such evasions were reported by Mr. Ord in the boot trade in 1898, when the introduction of machinery was causing a displacement of workers.[2] The most notable example of this sort, however, is the already mentioned evasion of the Chinese engaged in the furniture manufacture. All efforts to make the Chinese comply with the determinations of the boards in Victoria appear to have been abandoned by the inspectors.[3]

In spite of these many obstacles to the successful enforcement of the wages boards determinations, the later reports of the inspectors in all the states show that most of the difficulties have been overcome, and that employers and employees are year by year showing an increased willingness to observe the law. As has already been said, the influence of the trades unions in securing information concerning violations of the law and reporting these violations to the factory inspectors has been one of the most important aids in securing a stricter compliance with the law.

The successful enforcement of the wages board determinations demands an adequate force of inspectors

[1] Words of the Queensland Wages Boards Act of 1908, Sec. 2.

[2] Report of the Chief Inspector of Victoria for 1898, pp. 12, 13.

[3] Ibid., 1906, p. 28.

ready and willing to inquire into any reported violations of the law. In this respect most of the Australian states compare very advantageously with American states and with foreign countries. The conditions are favorable for enforcement because in nearly all the Australian states industry is highly concentrated and the number of establishments and employees is small in comparison with those in the great industrial nations. Victoria in 1910 reported 14 male and 4 female inspectors in addition to the Chief Inspector and his deputy. South Australia had in 1912, 5 male and 2 female inspectors in addition to the Chief Inspector, and Queensland, where industries are more scattered, had this same year 15 regular inspectors in addition to a few temporary ones. Of course these inspectors have the duties of ordinary factory inspection to perform in addition to seeing that the determinations are complied with, but this is an advantage rather than a disadvantage, for the duties are closely related. The willingness to provide so many inspectors shows that the Australians take their labor legislation seriously and are determined to enforce the laws and the determinations.

Prosecutions for breaches of the determinations show a tendency to increase, but this is to be expected as long as the number of boards and determinations continues to show rapid expansion. In Victoria in 1907, with 48 determinations in force, there were 59 cases of prosecutions for breaches of these determinations, convictions being secured in 43 cases.[1] In 1913, with 131 boards in existence, the number of prosecutions for breaches of determinations was 166, of which 129 were reported as having resulted in convictions.[2] Generally speaking, only very moderate fines, amounting on the average to

[1] Report of Chief Inspector of Victoria for 1907, p. 125.

[2] Ibid., 1913, p. 157.

less than one pound ($4.87) for each conviction, are imposed, but the costs generally amount to about as much as the fines. Queensland in 1912 reported 15 prosecutions for violations of determinations, with convictions secured in 11 cases.[1]

8. *Public Opinion and the Wages Boards*

The final test of the success of any legislative experiment made by self-governing peoples is the degree of satisfaction which these laws afford to those who are responsible for their enactment and enforcement. It may well be that impartial students of the wages boards, after weighing all the advantages and disadvantages of this mode of wage regulation and after noting the changes in industrial and social organization which it has brought with it in Australia, and then considering the different historical tendencies of other peoples, will conclude that the system of wages boards ought not to be transplanted to other countries, to be nurtured in a different environment from that in which it first took root. Yet such a decision could not fairly be construed as a confession of the failure of the experiment in Australia. For if these boards have in the opinion of most Australians succeeded in solving the problems which they were intended to solve and have done so without perceptibly hindering industrial development or disturbing the social peace; if furthermore they have in large measure outgrown the early opposition which they encountered from employers, and have won the approval of the wage earners and the general public, — I think we must say that the Australian method of regulating wages by wages boards has proved successful, in spite of the fact that it has not

[1] Report of Director of Labour and Chief Inspector of Queensland for 1912, p. 22.

escaped criticism and that it has created new problems not foreseen at the time the laws were enacted.

No further proof of the public approval of the wages boards would seem to be required than the statement that in Victoria every session of Parliament since 1905 has seen an increase in the number of boards, until at the close of 1913 there were 134 boards in existence or in process of formation, representing practically all trades and occupations except agriculture and business of an inter-state character. There is the further fact that the wages board plan has been copied into the legislation of every Australian state except West Australia. As already mentioned, the wages boards are in some states coupled with the compulsory arbitration courts which destroys the original simplicity of the system. The retention of the boards, however, shows that the people have not lost confidence in them but that on the contrary they are considered to be a necessary part of the plan of wage regulation. Even in New Zealand the conciliation councils established in 1908 as a part of the compulsory arbitration plan are in reality wages boards under another name, and are undoubtedly the most important and successful feature of the New Zealand system. The wages board system was unquestionably adopted in the interest of wage earners, and since the establishment of additional boards comes, in the great majority of cases, as a result of the application of employees, it is clear that the wage earners are conscious of the advantages which the boards have brought to them.

The most remarkable feature in the development of the system, however, is the changed attitude of the employing classes towards the wages boards.

In the first of these papers [1] reference was made to

[1] In this Journal, November, 1914, pp. 98–148.

the opposition which the wages board legislation met from Victorian employers in and out of Parliament during the years 1896–1903. The reports of outside investigators show that year by year this antagonism has grown less and that employers have become more and more reconciled to the wages board method of regulation.

Dr. Victor S. Clark, who visited Australia in 1904, just at the close of the long fight in Parliament to retain the wages boards, quotes favorable opinions of the boards from several employers in Melbourne operating under the system but says:

> Notwithstanding these favorable opinions, however, employers, as a body are not sympathetically disposed toward the wage board system, and many are active opponents of the principle of state regulation which it implies. . . . In some trades every employer visited opposed the law, and in others there was a generally favorable attitude toward its provisions.[1]

Ernest Aves, the English investigator sent to Australia in 1907 by the British government to investigate compulsory arbitration and the wages boards system, said:

> Employers are, I think I may say, unanimous in one negative conclusion, namely, that Special Boards are preferable to Arbitration Courts, but on nothing else. There is also a very widely-spread belief that the boards have been instrumental, some say in abolishing, and others in modifying the evils of " sweating " and, from complex motives, there is in Victoria a great preponderance of opinion among all classes in favour of the retention of the Boards. But as to whether it is desirable to extend them, as to what their power should be, and as to their effects, there is the greatest possible diversity of opinion.[2]

Dr. Robert Schachner, a German economist whose investigations into labor conditions in Australia were

[1] Clark " Labour Conditions in Australia," Bulletin No. 56 of the (U. S.) Bureau of Labor (January, 1905), p. 74.

[2] Aves, Report to the Secretary of State for the Home Department on Wages Boards, etc., p. 46.

made a year or two later than those conducted by Mr. Aves, after citing the few instances in which the laborers had struck against the determinations of the boards, said:

> In spite of these repudiations of the determinations, the employers themselves admit that they have become entirely reconciled to the law as it has brought them no disadvantages. Some boards in Victoria have even been established on the request of the employer in order that the dangerous competition of the sweaters might thereby be overcome.[1]

Dr. Schachner also quotes a remark of the President of the Queensland Employers' Association made in 1908 to the effect that the Association was in entire sympathy with the principles of the wages board legislation, which it believed to be vastly superior to the system of compulsory arbitration.[2]

Mr. Harris Weinstock, himself an employer, visited Australia in 1909 to learn what success wages boards and arbitration courts had had in securing industrial peace. His enthusiasm for the work of the wages boards drew from him the following statements:

> No impartial investigator who is seeking facts pure and simple can render any verdict other than that the Victorian wages boards have, to use a colloquialism, more than "made good." . . . Every Victorian manufacturer starts out on an even basis, so far as payment to labor is concerned. To secure the largest share of possible business he must exercise his managerial ability along other lines than that of "squeezing" labor. The legal minimum wage tends to drive the "sweater" out of the field. Where no legal minimum wage exists, the "sweater" tends to drive the fair manufacturer out of the field.
>
> The wages boards have brought about another unexpected blessing to Victorian employers, wage-workers, and to the body-politic. They have for a period of over twelve years, aided in, if not maintained, an unprecedented era of industrial peace. The fact that the state had provided machinery where wage-earners, having wage grievances, could get a fair hearing and a fair deal at the hands of

[1] Schachner, Die Soziale Frage in Australien und Neuseeland, pp. 241–242.

[2] Ibid., p. 242.

the trade experts representing both sides of the issue, and the fact that the determinations are enforceable against employers, left little occasion to resort to strikes in order to secure what they deemed equity.[1]

This change in the attitude of the employing classes towards the wages boards system has continued. In 1912, among all the employers interviewed, I found none who wished to have the boards abolished. There was plenty of criticism of the work of the boards, and nearly every employer was careful to point out what he considered to be unfair in the determinations under which he happened to be working. But they were unanimous in saying that industry had adjusted itself to the system of wage regulation, and it would therefore be undesirable to attempt to restore the old system of unregulated competition in the hiring of laborers. That this more friendly feeling among Victorian employers towards the wages boards is due in part to the belief that if the boards were abolished a more drastic method of industrial regulations, viz., that by arbitration courts, would be adopted, there can be no doubt. In the states having compulsory arbitration employers were generally supporters of the system, altho their attitude was perhaps one of toleration rather than of genuine enthusiasm. In regard to the wages boards, however, most employers were willing to go farther than merely to express a tolerant attitude. They pointed to the gains which had accrued to industry from freedom from strikes and from having all employers placed on the same footing as regards wages. The officers of the Chamber of Manufacturers and of the Victorian Employers Associations — the organizations which had led the opposition to the establishment and extension of the wages boards — were willing to admit

[1] Weinstock, Report of the Labor Laws and Labor Conditions of Foreign Countries in Relation to Strikes and Lockouts, pp. 72–73.

that on the whole the wages board system was working well and that the organizations which they represented had ceased to oppose the further extension of the system.

Among trade unionists it is perhaps not surprising that as employers have grown more in favor of the wages boards their own enthusiasm for them has diminished. It is not that trade unionists are opposed to the wages boards. From only one or two of the trade-union secretaries did I get any expression of opinion hostile to the wages boards, and these men represented the extreme radicals, who were opposed to any system which implied friendly agreements with employers. Nearly all the secretaries were willing to admit that the wages boards had brought great benefits to wage earners, especially those who had been poorly organized and who were consequently weak in bargaining power. But they insisted that the time had now come for further advances in the way of industrial regulation. Wages boards had raised the wages of those on the lower levels, but had done comparatively little to advance the standard wage. They could not but contrast the results gained through wages boards with those which had been secured through arbitration courts, especially the Commonwealth Arbitration Court presided over by Mr. Justice Higgins. Furthermore, the wages board could deal only with the questions of wages and working hours, while the arbitration courts had jurisdiction over all industrial matters and could among other things give preference to unionists in the matter of securing employment. It is perhaps not surprising therefore to find that trade unionists in the states which were without state arbitration courts were inclined to compare the results to themselves of wages board regulation with those which had been secured elsewhere through arbitration courts, and to view with

favor the greater possibilities to labor offered by the arbitration courts.

Without having traced the development of compulsory arbitration in Australia and considered the methods and results of this system of industrial regulation, it would be unwise to attempt here any appraisement of the work of the arbitration courts or to make any lengthy comparison of the two systems of wage regulation. A brief statement of the main arguments made for and against the plan to substitute compulsory arbitration for wages boards may, however, not be out of place.

Compulsory arbitration was originally intended to put an end to strikes and lockouts, and judges of the arbitration courts still insist that the maintenance of industrial peace is the principal if not the sole end to be kept in view. Now, as has already been pointed out, the wages board states have shown an even better record in the way of freedom from strikes than have the states which have adopted compulsory arbitration. This is due, the friends of the wages boards claim, to the fact that the representatives of capital and labor have themselves settled by the conference method the important questions of wages and hours, the only matters in dispute which are of sufficient importance to precipitate a strike if not settled by peaceful means. If these and other matters are to be settled by a judge of an arbitration court, a man not directly engaged in industry, his judgment, it is urged, will be less willingly accepted than will the decision of those who are themselves participants in the dispute and consequently bound by their own decision. The opponents of the arbitration system say that a judge is not fitted by training and experience to deal with industrial matters and that he lacks the intimate knowledge of business matters which is possessed by members of a wages

board. Furthermore, the advocates of wages boards point to the greater simplicity and economy of the wages board method of regulation and above all else to the greater facility for transacting business possessed by the boards. A number of boards can be sitting at the same time, handling disputes in several trades. A single arbitration court in any one state would soon be congested with business, and to multiply the courts would only create confusion owing to overlapping of awards and contradictory decisions.

On the other hand, the friends of compulsory arbitration point to the danger, which they believe to be a real one, that employees sitting on a board of which their employers are also members will be afraid to take a decisive stand in favor of a considerable increase of wages or an important reduction in the hours of work for fear of dismissal, or at least for fear that their chances of advancement in the trade will be lessened. Employees who have the courage to take a strong stand for improvement of working conditions will be " marked men " among employers in that trade, it is claimed. A judge need not fear intimidation.

The supporters of compulsory arbitration claim in the second place that employers and employees on a wages board on which the public is practically without representation may easily connive to raise wages with the understanding that the increased cost of production is to be passed on to the public in the shape of higher prices for the articles or service furnished by the trade for which the board makes a determination. A judge of an arbitration court would be far more likely to consider the public welfare and the effect on prices of an increase of wages.

Finally the advocates of arbitration point to the fact that the sphere of influence of a state wages board

is limited to the boundaries of the particular state. It may be unable to raise the wages of even poorly paid labor if the industry is one in which there is keen competition with establishments located outside the state, while on the other hand a state wages board may neglect altogether the interests of people of other states and by its manipulation of the wage scale seek to attract trade to its own state. This claim is of course not advanced in favor of a state arbitration court; but it is a strong argument in favor of extending the powers and activities of the Commonwealth Arbitration Court, and is therefore strongly urged in Victoria. Indeed one may say that the most ominous influence now threatening the Victorian wages boards is the steadily growing power of the Commonwealth Arbitration Court. The political friends of the wages boards, men like Deakin, Mauger, Watt and Murray, see the shadow, but as yet have been unable to devise any satisfactory plan for averting this danger to the boards. When one considers the fact that as industries grow, their markets are not limited by state boundary lines and consequently they can be satisfactorily regulated only by a power which is interstate in character, he can easily see why the power of the Commonwealth Arbitration Court is likely to grow at the expense of the state wages boards and state arbitration courts. But the Commonwealth Arbitration Court is not limited to the regulation of industries which are interstate in character. It has jurisdiction over industrial disputes "extending beyond the limits of any one state."

To get a case heard by the Commonwealth Arbitration Court it is only necessary for employees in establishments situated in different states to make the same demand at approximately the same time upon their employers, which, when refused, constitutes a dispute

"extending beyond the limits of any one state." Laborers dissatisfied with what they have been able to secure through wages boards may easily foment a dispute which will bring their case before the Commonwealth Arbitration Court. The popularity with the laboring classes of Mr. Justice Higgins, who for several years has presided over the Commonwealth Arbitration Court, has increased the desire to get cases into court; and the rapid growth within the past two years of the number of cases presented to the Court for hearing has necessitated the appointment of two additional judges; a development which clearly shows that there is a disposition to make full use of the Court.

Nevertheless, it is not probable that the wages boards will soon, if ever, disappear. Their success and popularity in Australia has been too great to warrant such an assumption. The fact that even the arbitration states have adopted or retained the wages boards and incorporated them into their arbitration systems shows that there is a real need for these preliminary conferences between employers and employees to endeavor to reach an agreement in matters in controversy before the dispute goes — if it does go — to the arbitration court. The fact that in the great majority of cases an agreement is reached in these conferences augurs well for the continuation of the conciliation plan.

M. B. HAMMOND.

OHIO STATE UNIVERSITY.